

**BEFORE THE
STATE OF CONNECTICUT
JOINT ENERGY AND TECHNOLOGY COMMITTEE**

March 1, 2011

Testimony of Daniel Allegretti

For

Constellation Energy

On

Raised Bill No. 6459 (LCO 3647)

Senator Fonfara, Representative Nardello, members of the Committee, good afternoon and thank you for the opportunity to be here today and to testify. My name is Daniel Allegretti and I am a Vice President for energy policy with Constellation Energy. I have had the privilege and honor to appear before this committee on numerous occasions in the past and am pleased to be here again today. For the benefit of those who are new to the committee, let me mention that Constellation Energy is a "Fortune-500" energy company based in Baltimore, Maryland. Here in Connecticut, we are one of the leading providers of electricity as both a supplier of standard service to Connecticut's distribution companies and as a direct retail seller of electricity to Connecticut businesses. Our businesses also include the provision of energy efficiency, demand response services and a growing business developing and operating solar generation facilities.

Constellation Energy opposes the passage of Raised Bill 6459, which would allow regulated distribution companies to build, own and operate up to 5 MW each of Class I renewable generation facilities and to recover the costs of that generation through a non-bypassable charge. We do so because the measure would conflict with and would have an undermining effect upon both the renewable portfolio standard and upon the competitive retail energy market.

Today more than two thirds of the electricity sold in Connecticut is provided outside of the provision of Standard Service by CL&P and UI. That number is growing rapidly and even in the slower to develop residential service market, nearly 4 out of every 10 customers have already left standard service and selected their own energy supplier. Because of the pro-competition laws this Committee has previously passed, Connecticut customers have been empowered to make their own energy purchase decisions and are taking advantage of that ability. When monopoly companies build, own and operate generation and recover the cost through a "nonbypassable charge", the equivalent of a tax, the value of customer choice is diluted. Many customers have elected to purchase a "green energy" product or may have selected a time of use rate to take advantage of demand response. Other businesses have installed their own renewable generation. Hitting these customers with a non-bypassable charge dilutes the benefit of these types of choices and will only discourage customers from making these choices in the future.

Connecticut has also adopted a renewable portfolio standard that creates a demand for Class I renewable energy. The purpose of a renewable portfolio standard is to attract capital and investment in Class I facilities. Developers know that demand will be there for their output and are therefore willing to allocate capital to developing facilities to meet that demand. Some portion of that demand, however, will be displaced by the addition of 10 MW of utility-owned generation under this bill. Unlike other developers, the monopoly utilities will be able to develop risk-free, collecting all of their costs plus a

return through a non-bypassable charge levied on all customers. Private developers will see that the playing field for renewable generation development in Connecticut is unlevel and that their perceived market for renewable energy can be undermined at any time through utility-built facilities paid for by captive customers. This will have a chilling effect on private development and will send capital to other more stable markets such as Massachusetts or New York.

There is also an inherent conflict of interest when a distribution company becomes a generation company as well. Non-utility generators depend on CL&P and UI to perform the necessary studies and to construct the required interconnection facilities to allow independent generation resources to deliver their power to the grid. Allocating time, resources and costs fairly to third parties when distribution companies are also interconnecting their own facilities raises the possibility of discrimination or bias.

Finally, while the bill caps utility participation at 10 MW, it sends a very wrong signal to both customers and to developers of renewable generation. Connecticut has encouraged customers to make better energy choices and has encouraged developers to invest in renewable generation. Going back to making monopoly mandates in generation for which all customers must pay, regardless of the cap, is a very mixed message and one that undermines Connecticut energy policies that have already been highly successful. For these reasons, Constellation Energy urges the committee to reject this bill.